

# *Meeting the Challenge:* Welfare-to-Work Grants to Move Long-Term Welfare Recipients into Gainful Employment

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U.S. Department of Labor  
Washington, DC

## **Welfare Reform**

In August 1996, President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act, a comprehensive bipartisan welfare reform law that is dramatically changing the nation's welfare system. The new law requires work in exchange for time-limited public assistance and provides support for families moving from welfare to work. By the year 2002, at least half of all welfare families and 90 percent of two-parent families have to be in work activities.

States are using the welfare reform funds they receive from the Federal Government for a broad range of work activities for welfare recipients. However, these resources are not sufficient to move those most at risk of long-term welfare dependency into jobs. To achieve this goal, the Balanced Budget Act of 1997, signed by President Clinton in August, provides a total of \$3 billion over two years in additional Welfare-to-Work grants specifically focused on transitioning long-term welfare recipients into jobs.

## **Description of the New Welfare-to-Work Grants**

Beginning in January, 1998, the U.S. Department of Labor will make available new Welfare- to-Work (WtW) grants that will help place people directly into jobs, and help them acquire the skills, work experience, and resources they need to find and keep **permanent unsubsidized employment**. The grants are aimed at helping those who have the most significant barriers to employment in the welfare population.

Individuals will receive assistance in obtaining permanent, unsubsidized jobs or, if appropriate, temporary employment opportunities as an interim step in their transition to permanent employment. Welfare recipients' job qualifications and employment readiness-needs will be assessed, and then they will begin work activities. The specific activities will be designed to meet local labor market needs and may include: public and private sector jobs; on-the-job training; job readiness, job placement, and post-employment services; community service and work experience; and job retention or support services, such as child care and transportation assistance.

Local Private Industry Councils (PICs), also known as Workforce Development Boards, are business-led organizations that guide and oversee federally funded job training programs. In coordination with local elected officials, they will operate and administer the WtW grants in communities across the country.

States, PICs, and local elected officials will assure that the WtW funds are coordinated with other welfare reform efforts. For example, local public/private collaborations will be initiated or strengthened so that all entities in a community can provide a broad spectrum of coordinated services. Communities will work together toward a common goal: to provide welfare recipients with work opportunities and support services for success that can lead to permanent employment, further career development, wage increases, and ultimately economic self-sufficiency.

## Key Elements of the Welfare-to-Work Grants

The U.S. Department of Labor will be distributing the WtW grants in two ways -- formula grants to states and competitive grants to local communities.

**Formula Grants to States:** About 75 percent of the \$3 billion will be distributed as formula grants to the states based on poverty and the number of welfare recipients in the state. The state is required to match the federal investment of the formula grants with \$1 in state funds for every \$2 in federal funds received. States must then distribute most of the formula funds for use in local communities. The remaining portion (up to 15 percent) of the state's formula grant can be retained by the state to fund welfare-to-work projects of its choice.

**Competitive Grants to Local Communities:** About 25 percent of the \$3 billion will fund competitive grants awarded directly by the U.S. Department of Labor to local governments, Private Industry Councils, or private entities, such as community development corporations, community-based organizations, community action agencies, and other qualified private organizations.

The competitive grants will fund projects that are designed to transition welfare recipients who are least job ready into unsubsidized employment; emphasize coordinated approaches that confront the range of challenges the long-term welfare population faces; and expand the base of knowledge about effective welfare-to-work strategies and approaches. For example, activities might include development of responsive transportation and child care service systems; use of integrated work and learning strategies to develop skills; creation of jobs that provide maximum flexibility to meet work and family needs; service to noncustodial parents; addressing disabilities; and tackling substance abuse.

The grants will be targeted to urban and rural areas with large concentrations of poverty. A solicitation for grant applications for approximately 50% of the Fiscal Year 1998 competitive grant funding appeared in the *Federal Register* on Tuesday, December 30, 1997. The closing date for receipt of applications is March 10, 1998. A second solicitation for the balance of funds for Fiscal Year 1998 grant awards will be issued in Spring, 1998.

**Targeted Population:** The grant funds must be spent on individuals who are long-term welfare recipients and who face significant barriers to employment.

## Benefits Employers Can Expect

In addition to an expanded pool of workers, businesses will find that many of the new labor market entrants may qualify them for federal income tax savings. Long-term welfare recipients may qualify their employers for the new Welfare-to-Work Tax Credit, which can earn businesses up to \$8,500 per new hire. Eight other targeted groups of job seekers with barriers to employment, including shorter-term welfare recipients, may earn their employers an enhanced Work Opportunity Tax Credit of up to \$2,400 per new hire. Federal tax incentives for qualified businesses operating in the 105 federally designated Empowerment Zones and Enterprise Communities (EZ/ECs), or the District of Columbia Enterprise Zone that goes into effect January 1, may also be available. For more information about these tax credits, visit the U.S. Department of Labor's employer information page on the website listed below.

## For More Information about Welfare-to-Work:

Visit the U.S. Department of Labor's Welfare-to-Work Home Page at: <http://wtw.doleta.gov> or call the U.S. Department of Labor Regional Office nearest to you for more detailed information about the Welfare-to-Work grants. New England: 617-565-2243; New Jersey, New York, Puerto Rico, Virgin Islands: 212-337-2139; Mid-Atlantic: 215-596-6403; Southeast: 404-562-2109; Upper Midwest: 312-353-1937; South Central: 214-767-2154; Midwest: 816-426-3796; Mountain: 303-844-1668; West, Hawaii, Guam: 415-975-4656; Upper Northwest, Alaska: 206-553-4386.

